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SECURITIES AND EXCHANGE COMMISSION

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Doc Source

Company Information

SEC Registration No. PW00000727
Company Name CENTRAL AZUCARERA DE TARLAC
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 111182016000956
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)
Document Code 17-Q
Period Covered September 30, 2016
No. of Days Late 0
Department CFD
Remarks

P W 0 0 0 0 0 7 2 7

S.E.C Registration Number

C E N T R A L A Z U C A R E R A D E T A R L A C
A N D S U B S I D I A R Y

(Company's Full Name)

S A N M I G U E L T A R L A C C I T Y

(Business Address: No. Street City/Town/Province)

Wellerita D. Aguas
Contact Person

(632) 818-6270
Company Telephone Number

0 6 3 0
Month Year
Fiscal Year

SEC FORM 17-Q Quarterly Report

0 1 any
Month Year
Annual Meeting

Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc

Amended Articles Number/Section

3 9 1
Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

COVERSHEET

CS-99-AF

COVER SHEET FOR ALL FILINGS EXCEPT EXPRESS LANE

COVER SHEET

SEC Number 727

Company TIN 000-229-931

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

(Company's Full Name)

San Miguel , Tarlac , Tarlac
Makati Office – First Lucky Place, 2259 Pasong Tamo Extn,
Makati City

(Company's Address: No., Street, City, Town/Province)

818 – 6270

(Company's Telephone Number)

June 30

(Fiscal Year Ending)
(Month/Day)

last Tuesday of January

Annual Meeting

17 – Q (Quarterly Report – 1st Quarter
of the Fiscal Year 2016-17 (July to Sept. 2016)

(FORM TYPE)

(Amendment Designation, if Applicable)

(Secondary License Type, if any)

(Company Representative)
(Birth Date)

(TIN)

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Central Receiving Unit

Document ID

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES

REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER

1. For the quarterly period ended **Sept. 30, 2016 (1st Quarter of Fiscal Year July 1, 2016 – June 30, 2017)**
2. Commission identification number **727** 3. BIR Tax Identification No **000229931**
.....

CENTRAL AZUCARERA DE TARLAC

4. Exact name of issuer as specified in its charter
.....
Manila, Philippines
.....
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code : (SEC Use Only)

San Miguel, Tarlac, Tarlac

7. Address of issuer's principal office Postal Code
818 –6270
.....
8. Issuer's telephone number, including area code
n.a.
.....

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount of debt outstanding
Common	28, 254, 596

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**] No []

If yes, state the name of such Stock Exchange and the classes of securities listed therein:

12. Indicate by check mark whether the registrant:

(a.) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [**X**] No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

In compliance with the requirements of SRC Rule 68, the following financial statements of Central Azucarera de Tarlac and Subsidiary are submitted together with this Form 17 – Q:

- A. Unaudited Balance Sheet as of Sept. 30, 2016 and Audited June 30, 2016 Balance Sheet;
- B. Unaudited Statements of Income/(Loss) for the Three (3) Months Ended Sept. 30, 2016 and 2015;
- C. Unaudited Statements of Changes in Equity for the Three (3) Months Ended Sept. 30, 2016 and 2015; and
- D. Unaudited Statements of Cash Flows for the Three (3) Months Ended Sept. 30, 2016 and 2015.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Our discussion in the foregoing sections of this report pertains to the financial condition and results of our company’s operations for the three (3) months ended Sept. 30, 2016 in which references are made to results of operations for the same period of the previous year 2015.

Furthermore, the information contained herein should be read in conjunction with the accompanying unaudited financial statements and related notes. Our financial statements, and the financial discussions below, have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).


PART II – OTHER INFORMATION

There is no information not previously reported on SEC Form 17 – C

SIGNATURES

Pursuant to the requirements of the Securities Regulation Commission, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant **CENTRAL AZUCARERA DE TARLAC**

Signature and Title 
WELLERITA D. AGUAS
Vice President - Finance

Principal Financial / Accounting Officer / Controller 
LORA MAY M. CADA

Signature and Title Finance Manager

Date: Nov. 17, 2016

A. Management's Discussion and Analysis of Financial Condition and Results of Operations

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY

The following Management Discussion and Analysis should be read in connection with the submitted Unaudited Consolidated Financial Statements as at and for the three months ended September 30, 2016 and 2015.

Executive Summary

The 1Q of Fiscal Year 2016-2017 was directed toward the enhancement of identified strategies to ascertain the attainment of the Company's profitability targets. In the forefront, CAT focused on the renewal of relationship ties with its partners to guarantee the delivery of the volume required to meet revenue objectives. Concurrently, the back of the house facilities was prepared to improve productivity and efficiencies to take on additional tonnage.

The Company initiated the implementation of the mandated off-season repairs, established the optimum manpower complement and aligned the business processes to strengthen the value chain, all in laying down the ground work for the coming milling season in November 2016.

As expected in a non-revenue generating quarter, the Company incurred its cyclical net profitability loss and EBITDA of P116.24 million and P63.26 million, respectively.

The Company revenues were derived from the sale of alcohol inventory at a favorable price compared to the same period last year. While it covered the 1st quarter's fixed costs, it was not enough to cover the additional expenses incurred which resulted to the slight increase in net loss of P4M and the decrease in EBITDA by P14M for the same period last year.

The Cost of Goods Sold increased by P44M or 33% due to the increased manpower costs as a result of earlier employment of labor resources to execute the planned repairs and maintenance. Furthermore, labor costs began to normalize as salary levels stabilized.

With the above preparations, CAT is currently well poised for the coming fiscal year as it expects to turn around its losses and gain profitability as the milling season begins. Market prices of sugar and alcohol are likewise expected to normalize amidst price speculation.

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The following table is the Consolidated Statement of Income of the Company and its subsidiary, Luisita Land Corporation ("LLC"), for the periods ending September 31 2016, 2015 & 2014. LLC's results of operations were consolidated beginning 16 October 2014.

(In Million Pesos except for Volume, Price & EPS)	THREE MONTHS ENDED SEPTEMBER 30					
	2016		2015		2014	
VOLUME AND PRICE MATRIX	Vol	P	Vol	P	Vol	P
Raw Sugar Equivalent	-	-	-	-	-	-
Tolling of Refined Sugar	-	-	-	-	-	-
Alcohol	1,982,768	51	1,593,990	44	1,110,653	52
Carbon Dioxide	-	-	-	-	-	-
REVENUE	110.43	100%	77.36	100%	57.52	100%
Sugar	.00	0%	.00	0%	.00	0%
Tolling of Refined Sugar	.00	0%	.00	0%	.00	0%
Alcohol	101.03	91%	69.42	90%	57.52	100%
Tolling of Alcohol	.00	0%	.00	0%	.00	0%
Carbon Dioxide	.00	0%	.00	0%	.00	0%
Industrial services	9.40	9%	7.94	0%	.00	0%
Real estate sale	.00	0%	.00	0%	.00	0%
COST OF GOODS SOLD AND SERVICES	181.16	164%	136.56	177%	163.81	285%
Costs of goods sold	164.11	149%	123.08	159%	147.65	257%
Costs of tolling services	11.26	10%	9.70	13%	16.16	28%
Cost of industrial services	5.79	5%	3.78	0%	.00	0%
Cost of real estate	.00	0%	.00	0%	.00	0%
GROSS PROFIT	(70.73)	-64%	(59.20)	-77%	(106.29)	-185%
OPERATING EXPENSES	27.96	25%	19.32	25%	28.89	50%
OPERATING PROFIT (LOSS) BEFORE INTEREST AND TAXES	(98.69)	-89%	(78.52)	-102%	(135.18)	-235%
Interest expense and bank charges	(31.22)	-28%	(27.98)	-36%	(4.23)	-7%
Interest income	.04	0%	.58	1%	.12	0%
Others - net	13.63	12%	3.38	4%	6.13	11%
INCOME (LOSS) BEFORE TAX	(116.24)	-105%	(102.55)	-133%	(133.16)	-232%
PROVISION FOR INCOME TAX	.00	0%	.00	0%	.00	0%
NET INCOME [LOSS]	-116.24	-105%	-102.55	-133%	-133.16	-232%
EBITDA	-63.26	-57%	-58.59	-76%	-116.07	-202%
EPS	(4.11)		(3.63)		(4.71)	

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Management Discussion and Analysis of Financial Condition and Results of Operations

The following identify the top five (5) Key Performance Indicators of the Company, which allow the measure of growth, financial performance and return on investment.

Revenue	Three Months Ended September 30		
	2016	2015	2014
Revenue (in millions)	110.43	77.36	57.52
% Growth	43%	34%	41%

EBITDA	Three Months Ended September 30		
	2016	2015	2014
EBITDA (in millions)	-63.3	-58.6	-116.1
% Growth	-8%	50%	-67%
EBITDA Margin	-57%	-76%	-202%

Net Income	Three Months Ended September 30		
	2016	2015	2014
Net income (in millions)	-116.24	-102.55	-133.16
% Growth	-13%	23%	-51%
Net Income Margin	-105%	-133%	-232%

Earnings per share	Three Months Ended September 30		
	2016	2015	2014
Earnings per share	(4.11)	(3.63)	(4.71)

Milling Recovery	Three Months Ended September 30		
	2016	2015	2014
Milling recovery (Lkg/TC)			

As of quarters ended September 30, 2016, 2015 and 2014, there are no comparable bases on Milling Recovery as one of the five (5) key performance indicators because production has not yet started as of those dates. Our milling operation normally starts on the 2nd week of November.

Review of Operations

Revenues

REVENUES <i>In Million Pesos</i>	2016	2015	Growth	
			Amount	%
Alcohol	101.0	69.4	31.6	46%
Industrial services	9.4	7.9	1.5	18%
Real estate sale	.0	.0	.0	0%
TOTAL	110.4	77.4	33.1	57%

The Parent Company's revenue accounted for 91% of the Group's consolidated revenues for the three (3) months ended September 30, 2016.

Revenues for the first quarter ending September 30, 2016 totaled P110.4M higher by 57% or P33.1M from the same period of the preceding year. Increments posted in both sales volume and average selling price boosted alcohol sales for the period in review.

Cost of Goods Sold

Cost of goods sold increased by ₱41.0M or 28% this quarter from ₱123.1M to ₱164.1M. The following table summarizes the breakdown of cost of goods sold:

COST OF GOODS SOLD <i>In Million Pesos</i>	2016	2015	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	13.7	10.9	2.8	26%
Repairs & Maintenance	38.6	36.3	2.4	6%
Inventory cost, spare parts and supplies	73.7	51.7	22.1	43%
Depreciation and amortization	19.2	13.9	5.4	39%
Freight and transportation	.6	.4	.2	45%
Security and outside services	9.8	1.6	8.2	515%
Power and steam	5.0	5.2	-.2	-4%
Insurance	.0	1.3	-1.3	-100%
Taxes and licenses	1.1	.5	.6	126%
Others	2.3	1.3	1.0	75%
TOTAL	164.1	123.1	41.0	28%

- Salaries and wages increased by ₱2.8M or 26% as the Company completed the alignment of salary structure levels and conclusion of the hiring process.
- The increase in Inventory cost, spare parts and supplies by ₱22.1M or 43% is in lieu of the increase in volume sales of alcohol.
- Depreciation increased by ₱5.4M or 39% as a result of the strategic acquisition of various equipments.
- Outside services increased by ₱5.4M or 515% as the Company engaged the services of a contractor to provide manpower services.

Cost of Tolling Services

Cost of tolling increased by ₱1.6M or 10% this year from ₱9.7M to ₱11.3M. The table below summarizes the breakdown of cost of tolling:

COST OF TOLLING SERVICES <i>In Million Pesos</i>	2016	2015	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	2.5	1.5	1.0	69%
Repairs & Maintenance	6.4	5.9	.5	8%
Depreciation and amortization	1.1	.9	.2	24%
Freight and transportation	.1	.1	.0	1%
Power and steam	.7	.5	.2	40%
Insurance	.1	.3	-.2	-70%
Taxes and licenses	.4	.6	-.2	-31%
Others	.0	.0	.0	8%
TOTAL	11.3	9.7	1.6	10%

- Salaries and wages increased by ₱1.0M or 69% as the Company completed the alignment of salary structure levels and conclusion of the hiring process.
- Depreciation increased by ₱0.2M or 24% as a result of the strategic acquisition of various equipments.
- Power and steam consumption increased by ₱0.2M or 40% due to higher power consumption.

Operating Expenses

The level of operating expenses increased by ₱8.6M or 33% from ₱19.3M to ₱28.0M. The table below summarizes the breakdown of operating expenses:

OPERATING EXPENSES <i>In Million Pesos</i>	2016	2015	Increase(Decrease)	
			Amount	%
Salaries, wages bonuses and other benefits	8.4	6.9	1.5	22%
Repairs & Maintenance	2.3	.7	1.6	213%
Taxes and licenses	1.1	2.3	-1.2	-52%
Depreciation and amortization	.9	.6	.3	51%
Transportation and travel	1.8	1.2	.6	52%
Security and outside services	1.1	.2	.9	592%
Rentals	.7	1.0	-.3	-31%
Light and water	.1	.1	.0	52%
Entertainment, amusement and recreation	1.0	.4	.5	120%
Professional fees	7.2	5.0	2.2	44%
Dues and advertisements	.2	.5	-.3	-66%
Postage, telephone and telegram	.2	.2	.0	20%
Others	2.6	.3	2.2	702%
TOTAL	28.0	19.3	8.6	30%

- Repairs and maintenance increased by ₱1.6M or 213% as the Company gears toward the improvement and rehabilitation of non-plant facilities as part of the Company's corporate social responsibility and workforce' gratification.
- Security and outside services increased by ₱0.9M or 592% as the Company engaged the services of a contractor to provide manpower services.
- Professional fees increased by ₱2.2M or 44% as the Company engaged the services of various service professionals to accommodate the requirements of various stakeholders.

Balance Sheet Accounts

The table below presents the Balance Sheet Statements of the Company as of period ended September 30, 2016 and year ended June 30, 2016.

(In Million Pesos)	AS OF SEPT. 30, 2016 INTERIM		AS OF JUNE 30, 2016 AUDITED		GROWTH	
	AMT	%	AMT	%	AMT	%
ASSETS						
Current Assets						
Cash and cash equivalents	61.47	1%	93.95	2%	-32.48	-35%
Receivables	686.62	11%	659.43	11%	27.19	4%
Inventories	82.11	1%	154.76	2%	-72.64	-47%
Real estate held for sale and development	987.96	16%	987.96	16%	.00	0%
Non-current asset held for sale	.00	0%	.00	0%	.00	0%
Other current assets	87.24	1%	117.00	2%	-29.77	-25%
Total Current Assets	1,905.40	31%	2,013.10	32%	-107.70	-5%
Non-current Assets						
AFS financial assets	104.07	2%	104.07	2%	.00	0%
Property, plant and equipment						
Land- at revalued amount	716.60	12%	716.60	12%	.00	0%
Property and equipment- at cost	491.95	8%	429.14	7%	62.81	15%
Investment property	1,357.40	22%	1,357.40	22%	.00	0%
Retirement asset	693.37	11%	706.47	11%	-13.10	-2%
Goodwill	702.15	11%	702.15	11%	.00	0%
Other current assets	203.97	3%	199.00	3%	4.96	2%
Total Non Current Assets	4,269.50	69%	4,214.83	68%	54.67	1%
TOTAL ASSETS	6,174.90	100%	6,227.93	100%	-53.03	-1%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other liabilities	428.33	7%	413.85	7%	14.48	3%
Current portion of notes payable	472.98	8%	392.28	6%	80.69	21%
Deposits	6.48	0%	6.60	0%	-.12	0%
Income tax payable	10.46	0%	10.46	0%	.00	0%
Total Current Liabilities	918.24	15%	823.19	13%	95.05	12%
Non-current liabilities						
Notes payable- net of current portion	2,015.59	33%	2,042.51	33%	-26.91	-1%
Deferred tax liability	475.84	8%	480.77	8%	-4.93	0%
Total Non Current Liabilities	2,491.43	40%	2,523.27	41%	-31.84	-1%
Equity						
Capital stock	282.55	5%	282.55	5%	.00	0%
Retained earnings (deficit)	77.60	1%	193.84	3%	-116.24	-60%
Revaluation increment	1,836.61	30%	1,836.61	29%	.00	0%
Remeasurement gains on defined benefit liability	490.98	8%	490.98	8%	.00	0%
Unrealized cumulative gain on AFS financial	77.49	1%	77.49	1%	.00	0%
Less cost of 720 shares of stock in treasury	-.01	0%	-.01	0%	.00	0%
Total Equity	2,765.22	45%	2,881.46	46%	-116.24	-4%
TOTAL LIABILITIES AND EQUITY	6,174.90	100%	6,227.93	100%	-53.03	-1%

Cash

The decrease in cash by ₱32.5M or 35% is due from cash provided by operating activities of ₱16.9M, ₱76.4M net cash used in investing activities and ₱26.9M net cash provided by financing activities.

Inventories

The decrease amounting to ₱72.6M or 47% of the reported ending inventory is due to the alcohol sold for the quarter.

Other current assets

The decrease of ₱29.8M or 25% in other current assets is due to the reclassification of advances to suppliers into capitalizable assets as the Company's off-season maintenance requirements close to its completion.

Property, Plant and Equipment

The net increase in property, plant and equipment after depreciation amounting to ₱62.8M or 15% is due to the strategic acquisition of various equipments and launch of off-milling repairs program.

Current portion of Notes payable

The increase of 21% or ₱80.7M represents the net availment of a loan which is expected to mature within 12 months from the balance sheet date.

Total Stockholders Equity

The reported net loss for period ended September 30, 2016 amounting to ₱116.2M mainly contributed to the decrease in the Stockholders' Equity of the same amount.

LIQUIDITY & SOLVENCY RATIO

Current Ratio

The current ratio indicates a company's ability to meet short-term debt obligations. The Company's current ratio has improved because of increased in cash levels, receivables and inventory.

Asset to Equity Ratio

The asset to equity ratio indicates the relationship of the total assets of the company to its stockholder's equity. The Company's assets have been slightly financed more by debt than equity as a result of the acquisition of the Company and its subsidiary.

Debt to Equity Ratio

Debt-to-Equity ratio is the ratio of total liabilities of the company to its stockholder's equity. The Debt to Equity ratio slightly diminished due to the increased availment of a loan from a local bank.

Debt Service Coverage Ratio

This ratio is a measure to determine the company's ability to service its outstanding debt. The Company's debt service coverage had improved due to higher earnings during the current year.

LIQUIDITY & SOLVENCY RATIO	As of September 30, 2016	As of June 30, 2016
Current ratio	2.08	2.45
Asset-to-equity ratio	2.23	2.16
Debt-to-equity ratio	1.23	1.13
Debt Service Coverage Ratio	-0.14	0.88

Plans, Commitments, and events that have material impact on the issuer's liquidity

To the best of our knowledge, there are no known trends, demand, commitments, events or uncertainties that will have a material impact on our liquidity.

We do not foresee any event that will trigger direct or contingent financial obligations including default or acceleration of any obligations.

We do not have any material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the company with consolidated entities or other persons created during the reporting period.

We do not see, at this point, any known trends, uncertainties that have had or that are reasonably expected to have a material impact on net sales/revenues/income from continuing operations.

We do not have any elements of income or loss that did not arise from our continuing operations.

We do not see at this point any seasonal aspects that have a material effect on the financial condition or result of operations.

CENTRAL AZUCARERA DE TARLAC
AND SUBSIDIARY
INTERIM FINANCIAL STATEMENTS
IN THOUSAND PESOS

(WITH COMPARATIVE STATEMENTS)

SEPTEMBER 30, 2016

**CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(IN THOUSAND PESOS)**

	As of September 30, 2016 (Interim)	As of June 30, 2016 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	61,466.89	93,948.77
Receivables	686,616.52	659,429.28
Inventories	82,114.34	154,755.14
Real estate held for sale and development	987,962.52	987,962.51
Other current assets	87,236.25	117,003.71
Total Current Assets	1,905,396.51	2,013,099.41
Noncurrent Assets		
AFS financial assets	104,066.90	104,066.90
Property, plant and equipment		
Land- at revalued amount	716,600.00	716,600.00
Property and equipment- at cost	491,953.06	429,143.24
Investment property	1,357,400.00	1,357,400.00
Retirement asset	693,370.33	706,471.54
Goodwill	702,146.25	702,146.25
Other non current assets	203,965.82	199,004.45
Total Noncurrent Assets	4,269,502.36	4,214,832.37
TOTAL ASSETS	6,174,898.86	6,227,931.78
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other liabilities	428,325.99	413,850.06
Current portion of notes payable	472,977.74	392,284.30
Deposits	6,476.22	6,596.21
Income tax payable	10,463.31	10,463.31
Total Current Liabilities	918,243.26	823,193.88
Noncurrent Liabilities		
Notes payable- net of current portion	2,015,593.49	2,042,507.60
Retirement liability	.00	
Deferred tax liability	475,839.29	480,765.98
Other noncurrent liabilities	.00	.00
Total Noncurrent Liabilities	2,491,432.77	2,523,273.57
Equity Attributable to Equity Holders of the Parent		
Capital stock - P10 par value per share		
Authorized - 40,000,000 shares		
Issued - 28,254,596 shares	282,545.96	282,545.96
Retained earnings (deficit)	77,598.63	193,840.14
Revaluation increment	1,836,613.29	1,836,613.29
Remeasurement gains on defined benefit liability	490,982.82	490,982.82
Unrealized cumulative gain on AFS financial assets	77,489.33	77,489.33
	2,765,230.03	2,881,471.53
Less cost of 720 shares of stock in treasury	-7.20	-7.20
Total Equity	2,765,222.83	2,881,464.33
TOTAL LIABILITIES AND EQUITY	6,174,898.86	6,227,931.78

**CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016**

(With Comparative Figures for the Three Months Ended September 30, 2016, 2015 & 2014)
(IN THOUSAND PESOS)

Unaudited						
Three Months Ended September 30						
	1st Qtr	YTD 2016	1st Qtr	YTD 2015	1st Qtr	YTD 2014
REVENUES						
Sale of sugar and by-products	101,032.17	101,032.17	69,415.36	69,415.36	57,520.46	57,520.46
Industrial & equipment services	9,395.12	9,395.12	7,939.73	7,939.73		
Real estate sale	.00	.00	.00	.00		
Total	110,427.29	110,427.29	77,355.09	77,355.09	57,520.46	57,520.46
COST OF GOODS SOLD AND SERVICES						
Costs of goods sold	164,109.16	164,109.16	123,077.21	123,077.21	147,653.48	147,653.48
Costs of tolling services	11,262.44	11,262.44	9,703.93	9,703.93	16,161.14	16,161.14
Cost of services	5,787.28	5,787.28	3,778.68	3,778.68		
Total	181,158.88	181,158.88	136,559.82	136,559.82	163,814.62	163,814.62
GROSS INCOME	-70,731.59	-70,731.59	-59,204.73	-59,204.73	-106,294.16	-106,294.16
OPERATING EXPENSES	27,960.06	27,960.06	19,317.91	19,317.91	28,887.24	28,887.24
OTHER INCOME (EXPENSES)						
Interest income	39.68	39.68	576.86	576.86	120.00	120.00
Interest expense	-31,222.63	-31,222.63	-27,979.59	-27,979.59	-4,229.00	-4,229.00
Other Income(Expense)	13,633.10	13,633.10	3,379.15	3,379.15	6,126.00	6,126.00
Total	-17,549.85	-17,549.85	-24,023.59	-24,023.59	2,017.00	2,017.00
INCOME BEFORE INCOME TAX	-116,241.50	-116,241.50	-102,546.23	-102,546.23	-133,164.39	-133,164.39
PROVISION FOR INCOME TAX		.00		.00		
NET INCOME	-116,241.50	-116,241.50	-102,546.23	-102,546.23	-133,164.39	-133,164.39
Earnings Per Share						
Basic /Dilluted	(4.11)	(4.11)	(3.63)	(3.63)	(4.71)	(4.71)

**CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016, 2015, 2014
(IN THOUSAND PESOS)**

	Capital Stock	Retained Earnings (Deficit)	Revaluation Increment	Remeasurement Gains(Losses) on Defined Benefit	Unrealized Cumulative Gain on AFS Financial Asset	Treasury Stock	Total Equity
Balances at June 30, 2014(As Audited)	282,545.96	-191,904.34	1,365,157.40	128,780.52	59,959.12	-7.20	1,644,531.45
Total comprehensive income		-133,164.39					-133,164.39
Balance at September 30, 2014	282,545.96	-325,068.74	1,365,157.40	128,780.52	59,959.12	-7.20	1,511,367.06
Total comprehensive income		277,374.85	429,966.57	-11,447.27	16,980.87		712,875.02
Sale of land at revalued amount		64,883.89	-45,418.72				19,465.17
Balance at June 30, 2015 (As Audited)	282,545.96	17,190.00	1,749,705.25	117,333.24	76,939.99	-7.20	2,243,707.24
Total comprehensive income		-102,546.23					-102,546.23
Balance at September 30, 2015	282,545.96	-85,356.22	1,749,705.25	117,333.24	76,939.99	-7.20	2,141,161.02
Total comprehensive income		279,196.36	86,908.04	373,649.58	549.34	.00	740,303.32
Balance at June 30, 2016 (As Audited)	282,545.96	193,840.14	1,836,613.29	490,982.82	77,489.33	-7.20	2,881,464.33
Total comprehensive income		-116,241.50					-116,241.50
Balance at September 30, 2016	282,545.96	77,598.63	1,836,613.29	490,982.82	77,489.33	-7.20	2,765,222.83

**CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
(IN THOUSAND PESOS)**

	Three Months Ended September 30		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	-116,241.50	-102,546.23	-133,164.39
Adjustments for:			
Interest expense	31,222.63	27,979.59	4,228.58
Depreciation and amortization	21,761.21	15,972.22	12,624.65
Interest income	-39.68	-576.86	-119.92
Operating loss before working capital changes	-63,297.35	-59,171.27	-116,431.08
Provisions for (reversal of):			
Decrease (increase) in:			
Receivables	-27,187.24	-13,265.99	-24,114.88
Inventories	72,640.80	41,662.26	44,548.71
Other current assets	29,767.46	-13,865.17	10,099.61
Increase (decrease) in:			
Trade and other payables	5,191.84	-6,557.70	-21,494.89
Deposits	-119.99	682.64	.00
Cash generated from (used for) operations	16,995.52	-50,515.22	-107,392.53
Income tax paid	.00	.00	
Net cash provided by (used in) operating activities	16,995.52	-50,515.22	-107,392.53
CASH FLOWS FROM INVESTING ACTIVITIES			
Net disposals of (additions to) property, plant and equipment	-84,571.02	-44,718.00	-11,651.20
Decrease (increase) in other noncurrent assets	8,139.83	-235.16	-13,020.87
Interest received	39.68	576.86	119.92
Net cash provided by (used in) investing activities	-76,391.51	-44,376.31	-24,552.15
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest	-32,085.89	-27,922.88	-4,228.58
Notes payable	-21,000.00	-21,000.00	-31,510.14
Proceeds from availment of notes payable	80,000.00	100,000.00	83,000.00
Net cash provided by (used) in financing activities	26,914.11	51,077.12	47,261.28
NET INCREASE (DECREASE) IN CASH	-32,481.89	-43,814.41	-84,683.39
CASH AT BEGINNING OF YEAR	93,948.77	252,839.70	145,717.99
CASH AT END OF YEAR	61,466.89	209,025.29	61,034.60

CENTRAL AZUCARERA DE TARLAC AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

1. Corporate Information, Status of Operations, Change in Majority Ownership and Authorization for the Issue of the Consolidated Financial Statements

Corporate Information

Central Azucarera de Tarlac (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1927. On January 27, 1976, the Board of Directors and the stockholders approved the extension of the corporate life of the Parent Company for another 50 years. The Parent Company and its wholly owned subsidiaries, Luisita Land Corporation (LLC) and Agrikulto Inc. (AI), collectively referred to as "The Group", are engaged in the production of sugar and by products, developing, leasing and selling real properties and other ancillary services and farming operations.

LLC was incorporated and registered with the SEC on May 11, 1977 primarily for the purpose of developing, leasing and selling real properties. Currently, the subsidiary maintains and operates Luisita Industrial Park (LIP), Luisita Business Park (LBP) and Las Haciendas de Luisita (LHDL) in Tarlac and provides water distribution and wastewater treatment services to locators in LIP and residents of LHDL.

On October 15, 2014, the Parent Company acquired 100% of the total outstanding shares of LLC.

On December 2, 2014, the Board of Directors has approved to amend the Subsidiary's Articles of Incorporation by changing its corporate name from "Luisita Realty Corporation" to "Luisita Land Corporation" and to amend the principal place of business from JCS Building, 119 Dela Rosa corner Carlos Palanca Jr. Streets, Legaspi Village, Makati City to Luisita Industrial Park, San Miguel, Tarlac City.

The registered office address and place of business of the Parent Company is San Miguel, Tarlac City.

Change in Majority Ownership

On July 26, 2014, CAT Resource & Asset Holdings, Inc. (CRAHI) entered into a Memorandum of Agreement (MOA) with the majority shareholders (the "Cojuangco Family") of the Parent Company for the acquisition of 19,772,510 outstanding common shares at ₱91.00 per share (total consideration of ₱1,799 million). The 19,772,510 common shares represent approximately 69.77% of the total issued and outstanding shares of the Parent Company as of July 26, 2014.

On August 20, 2014, CRAHI made a tender offer to the minority shareholders for the remaining 8,481,366 outstanding common shares at ₱91.00 per share representing 30.02% of the total issued and outstanding shares. The tender offer period expired on September 19, 2014.

At the end of the Tender Offer Period, a total of 1,332,044 shares, comprising 4.71% of the total outstanding capital stock of the Parent Company, were tendered and accepted at the price of ₱91.00 per share (the "Tendered Shares"). Cross and Settlement Date for the Tendered Shares occurred on October 15, 2014, whereupon CRAHI paid the amount of ₱121.2 million for the Tender Shares in accordance with the Terms of the Tender Offer.

After completion of the Tender Offer, CRAHI owned and held a total of 21,104,554 of the Parent Company's common shares, representing 74.69% of the total outstanding capital stock of the Parent Company.

As part of the agreement, CRAHI will settle the outstanding obligation of Jose Cojuangco and Sons, Inc. (JCSI), one of the selling shareholders, to customers amounting to P995.0 million as of September 30, 2014. As such, the Parent Company's financial guarantee pertaining to the obligation of JCSI is extinguished as of that date.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis, except for land under "Property, plant and equipment (PPE)" account that has been measured at revalued amount, "Investment property" and investment in listed shares of stock under "Available-for-sale (AFS) financial assets" account that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso) unit, which is the Parent Company's functional and presentation currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

While LLC was acquired in October 2014, thus providing the Parent Company comparative bases to consolidate financial statements in comparative period, the AI was acquired only in November 2016 as discussed in Note 1. Thus, this is the Group's first consolidated financial statements with AI as subsidiary. The comparative financial statements presented pertain to the Parent Company's primary financial statements issued in those periods.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiary. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of a investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements (s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its wholly owned subsidiary LLC.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, amended and improvements to PFRS, PAS and Philippine Interpretations from IFRIC which the Group has adopted during the year. However, they do not have impact on the financial statements of the Group unless otherwise stated below:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of currently has a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, Fair Value Measurement, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.
- Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)

In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements (Amendments) – Investment Entities*.

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief.

Standards Issued but not yet Effective

The Group will adopt the following new and amended standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have significant impact on the consolidated financial statements.

- PAS 19 (Amendments), *Employee Benefits – Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively) PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to PFRSs (2010-2012 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures – Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- *PFRS 2, Share-based Payment – Definition of Vesting Condition*

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- *PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination*

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*.

- *PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments are applied retrospectively and clarify that:

An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Annual Improvements to PFRSs (2011-2013 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- *PAS 40, Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

- *PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3

- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

Effective in 2016

- PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture (Amendments) – Bearer Plants* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Branch's financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 and are applied retrospectively).

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- PFRS 11 (Amendments), *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods beginning on or after January 1, 2016 and are applied prospectively)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

Annual Improvements to PFRSs (2012-2014 Cycle) (effective for annual periods beginning on or after January 1, 2016)

These annual improvements include:

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Effective in 2018

- PFRS 9, *Financial Instruments* (effective for annual periods beginning on or after January 1, 2018 and are applied retrospectively)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

Interpretation whose effective date was deferred

- Philippine Interpretation of IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Standard issued by the IASB but not yet been adopted by the FRSC

- IFRIC 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

4. Summary of Significant Accounting and Financial Reporting Policies

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognized in the consolidated statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly

identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the balance sheet based on current or noncurrent classification.

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle or within twelve (12) months after the reporting date, when it is held primarily for the purpose of trading, or cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting date. All other assets are classified as noncurrent.

A liability is current when it is expected to be settled in the normal operating cycle or due to be settled within twelve (12) months after the reporting date, when it is held primarily for trading, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting date. All other liabilities are classified as noncurrent.

Fair Value Measurement

The Group measures financial instruments such as AFS financial assets and nonfinancial assets such as land carried at revalued amount and investment property, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value of financial instruments that are traded in active markets at each balance sheet date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the balance sheet date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Financial Assets

Initial Recognition and Measurement. Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date i.e. the date that the Company commits to purchase or sell the asset.

The Group's financial assets include loans and receivables and AFS financial assets. The Company has no financial assets classified at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at June 30, 2016 and 2014.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as follows:

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization as well as the losses arising from impairment is included in the "Interest income" account in the consolidated statement of income. Loans and receivables are included in current assets if maturity is within twelve (12) months from the balance sheet date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents (excluding cash on hand) and receivables.

AFS Financial Assets. AFS financial assets include equity securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the "Unrealized gain (loss) on available-for-sale financial assets" account, until the investment is derecognized, at which time the cumulative gain or loss is recognized in the "Gain or loss on sale of available-for-sale financial assets" account in the consolidated statement of income, or determined to be impaired, at which time the cumulative loss is recognized in the consolidated statement of income. Dividends earned on holding AFS equity instruments are recognized in the consolidated statement of income as dividend income when the right of the payment has been established.

The Subsidiary has an investment in AFS which are being classified as current assets.

AFS financial assets whose fair value cannot be reliably measured are measured at cost less any impairment. If a reliable measure of fair value subsequently becomes available, the asset is measured at that fair value, and the gain or loss is recognized in the consolidated statement of comprehensive income, provided it is not impaired. If a reliable measure ceases to be available, it should thereafter be measured at 'cost', which is deemed to be the fair value on that date. Any gain or loss previously recognized in consolidated other comprehensive income will remain in equity until the asset has been sold, otherwise disposed of or impaired, at which time it should be reclassified to the consolidated statement of income.

This category includes AFS financial assets classified as proprietary shares and investments in listed and unlisted securities.

Derecognition of Financial Assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost. If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate or EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of consolidated income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in the consolidated statement of income under "Other income" account.

AFS Financial Assets. The Group treats AFS financial assets as impaired when there is objective evidence that impairment exists.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred

from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in consolidated statement of income.

In the case of AFS equity investments carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, other liabilities at amortized costs, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of other liabilities at amortized costs, less directly attributable transaction costs.

The Group's financial liabilities consist of other financial liabilities. As at March 31, 2016 and 2016, the Group has no financial liabilities classified as financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the EIR amortization process.

This category includes notes payable, trade and other payables (excluding statutory liabilities), due to related parties, and other noncurrent liabilities.

Financial Guarantees. Financial guarantees are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group does not recognize financial guarantees in the financial statements until an obligation to pay the liability of another party to the arrangement is established. It is only disclosed as part of liquidity risk of the Group.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method for raw and refined sugar, alcohol, yeast, molasses and carbon dioxide, fertilizers and unused planting supplies, and using the moving average method for spare parts and supplies. NRV for raw sugar, alcohol, yeast, molasses and carbon dioxide is the selling price in

the ordinary course of business less costs of conversion, marketing and distribution. NRV of spare parts and supplies is the current replacement cost.

Biological Assets and Agricultural Produce

Biological assets are grouped according to their physical state transformation capacity as well as their particular stage in the production process. The Group's biological assets include plant cane, ratoon and seedbed.

Creditable Withholding Tax (CWT)

CWT is recognized for the amount of withholding tax on certain income tax payment of the payor to the Group, and is creditable against the income tax due of the Group.

Real Estate Held for Sale and Development

Real estate held for sale and development are carried at the lower of cost and NRV. NRV is the selling price in the ordinary course of business, less costs of completion and estimated costs to make the sale. Costs include land cost, expenditures for development and improvements of the property, and borrowing costs.

Assets Classified as Held for Sale

The Group classifies assets as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. Impairment losses are recognized for any initial or subsequent write down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any recognized as a gain, but in excess of the cumulative impairment loss that has been previously recognized.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and impairment in value, if any. Following initial recognition at cost, land is carried at revalued amount, which is the fair value at the date of the revaluation. Valuations are performed regularly every two (2) years which management believes is sufficient enough to ensure that the fair value of revalued assets does not differ materially from its carrying amount.

Any revaluation surplus, net of tax, is credited to the "Revaluation increment" account included in the equity section of the consolidated balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case, the increase is recognized in the consolidated statement of other comprehensive income. A revaluation decrease is recognized in the consolidated statement of other comprehensive income, except to the extent that it reverses an existing revaluation surplus on the same asset.

The revaluation surplus included in equity in respect of an item of property, plant and equipment may be transferred directly to retained earnings when the asset is derecognized. This may involve transferring the whole of the surplus when the asset is retired or disposed of. However, some of the surplus may be transferred as the asset is used by the Group. In such a case, the amount of the surplus transferred would be the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of income of such period.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	5-10 years
Buildings and improvements	5-15 years
Land improvements	5-15 years
Furniture, fixtures and equipment	5 years
Transportation equipment	5 years
Communication and utility systems	5 years
Roads and bridges	10 years
Agricultural machinery and equipment	5-7 years

The useful life of each of the property, plant and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time the relevant assets are completed and become available for operational use.

Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent value applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The

difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. On subsequent disposal, the revaluation surplus may be transferred to retained earnings; note that this transfer is not made through profit or loss.

Impairment of Nonfinancial Assets

The Group assesses at each balance sheet date whether there is an indication that property, plant and equipment and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The asset's or cash generating unit's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Customers' Advances

Customers' advances are recognized when cash is received from customers for services to be rendered or for goods to be delivered in the future.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Equity

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Retained Earnings (Deficit)

Retained earnings include cumulative profits and are reduced by dividends. Retained earnings also include effect of changes in accounting policies as may be required by the standards' transitional provisions. When retained earnings account has a debit balance, it is called 'deficit' a deficit is not an asset but a reduction from equity.

Revaluation Increment

Any revaluation increment on an asset is credited to the "Revaluation Increment" account in equity, net of tax, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case, the increase is recognized in the statement of income. A revaluation decrease is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Treasury Shares

The Group's equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in the "Additional paid-in capital" account in the consolidated balance sheet.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Sales are measured at the fair value of the consideration received, net of discounts and returns. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Raw Sugar. Sale of raw sugar is recognized upon endorsement and transfer of quedans and/or issuance of a raw sugar release order in the name of the customer which represents ownership title over the raw sugar.

Sale of By-Products. Sale of by-products, which includes alcohol, carbon dioxide and yeasts, is recognized upon shipment or delivery and acceptance by the customers. Sale of by-products is presented in the statement of income under "Sale of sugar and by products" line item, except for sale of yeasts which is reported net of related direct costs under "Other income."

Tolling Fee. Revenue is recognized when services have been rendered.

Sale of Real Estate. Revenue from sale of real estate is accounted for using the full accrual method. The Group assesses whether it is probable that the economic benefits will flow to the Group when the contract price is collectible. Collectability of the contract price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuing investments that motivate the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections and credit standing of the buyer.

The Group recognizes revenue in full when the buyer has paid 25% of the selling price for property sold. The Group determines that the significant risks and rewards of the property sold are transferred to the buyer at this point.

Back out sales are recognized once the Group determines that a buyer will not be able to continue its commitment to complete payment of the entire contract price. Revenue and cost of sales previously recognized is reversed and the related inventory is recorded back at fair value with any difference recognized as other income or loss.

Nonrefundable payments by customers are recognized as other income.

For income tax purposes, full recognition is applied when more than 25% of the selling price has been collected in the year of sale. Otherwise, the installment method is applied.

Industrial Services. Revenue from industrial services, which include water and wastewater treatment services, locator fees, equipment services and rentals and contract growing services are recognized as the services are rendered.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. This includes revenue recognized when earned from sources other than the normal business operations of the Group.

Expenses

Cost of Goods Sold and Tolling Services. These are the direct and allocated indirect costs that are incurred upon processing of the Group's products and rendering of the Group's tolling services. These are recognized when the related goods are sold and the related services are rendered.

Cost of Real Estate Sales. Costs from the sale of real estate are recognized when the buyer makes a down payment upon which the significant risks and rewards of the land are transferred.

Cost of Services. Costs that are directly related to water and wastewater treatment services, contract growing services and equipment services are recognized when incurred.

Operating Expenses. These are expenses that are related to cost of administering and selling functions of the Group. These expenses are recognized in the Group's books when incurred.

Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and tax losses can be utilized except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and deferred taxes relate to the same taxable entity and the same tax authority.

Value-added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "Other current assets" or "Trade and other payables" accounts, respectively, in the consolidated balance sheet.

Operating Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

The determination of whether an arrangement contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
 - (b) a renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
 - (c) there is a change in the determination of whether fulfillment is dependent on a specified asset;
- or
- (d) there is a substantial change to the asset.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Retirement Cost

The Parent Company has a funded, noncontributory defined benefit retirement plan, covering substantially all of its permanent employees. The Subsidiary does not have a formal retirement plan. Employee who will qualify for retirement will be paid the minimum retirement under Republic Act 7641. Retirement expense is actuarially determined using the projected unit credit method. This method reflects discount rate, salary increase and average working lives of employees to the date of valuation. Retirement benefit costs comprise the following:

- service cost,
- net interest on the net defined benefit liability or asset, and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in consolidated other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a pre-tax discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of plan assets is higher than the present value of defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled more than twelve months after the end of the annual reporting period are discounted to its present value.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Segment Information

For management purposes, the Group is organized and managed separately according to the nature of the business. These operating businesses are the basis upon which the Group reports its segment information presented in Note 6 to the consolidated financial statements.

An operating segment is a component of an entity:

- a. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- b. with operating results regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance; and
- c. for which discrete financial information is available.

Earnings (Losses) Per Share (EPS)

Earnings (losses) per share is computed by dividing the net income (loss) attributable to equity holders of the Group by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (losses) per share is calculated by dividing the net income (loss) attributable to equity holders of the Group for the year by the weighted average number of common shares outstanding during the year.

Diluted earnings (losses) per share is computed in the same manner, adjusted for the effect of any potential dilutive shares. As the Group has no dilutive potential common shares outstanding, basic and diluted EPS are the same.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events after the Reporting Date

Events after the reporting date that provide additional information about the Group's financial position at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

5. Summary of Significant Accounting Judgments, Estimates and Assumptions

The Group's financial statements prepared under PFRS require management to make judgments, estimates and assumptions, that affect the amounts reported in the financial statements and related notes. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates change. The effect of any change in judgments, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Business Combination. In October 2014, the Parent Company acquired all the 349,900 outstanding shares of LLC. The Parent Company's acquisition of LLC is considered as a business acquisition since LLC has all three components of a business (inputs, processes and outputs) and is capable of providing a return to its owners. Also given that the total fair value of the acquired set of activities and assets is more than and the fair value of the net identifiable assets, the existence of value in excess of the fair value of identifiable assets (i.e. goodwill) creates a presumption that the acquired set is a business.

Classification of Property. The Group determines whether a property is classified as real estate held for sale and development, investment property or property plant and equipment as follows:

Real estate held for sale includes parcels of land developed into a first class residential subdivision and an industrial community. Real estate held for development pertains to parcel of land still undeveloped.

Investment property comprises land which is not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for capital appreciation.

Property plant and equipment is held for use in the supply of goods or services or for administrative purposes.

Distinction between investment property and property plant and equipment. The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Property plant and equipment generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

In 2016, the Group reclassified land at revalued amount from *Property Plant and Equipment* to *Investment Property* due to the change in the use of the property. The change is triggered by the decision of the new management to release the previously earmarked land for expansion, following its strategic direction to improve factory efficiency and productivity.

As a result, such land area is no longer required for cane milling and sugar refinery operations. Therefore, it was deemed necessary to reclassify the said property to be held for capital appreciation to make it available for future use that has yet to be determined.

The carrying values of real estate held for sale and development, investment property, and land under property plant and equipment as of September 30, 2016 amounted ₱1,357.4 million and ₱716.6 million, respectively.

Operating Lease. The Group has entered into a commercial property lease related to its office space. The Group has determined the significant risks and rewards of ownership of the property were not transferred to the Group. Accordingly, this is accounted for as an operating lease.

Contingencies. The Group's estimate of the probable costs for the resolution of claims and proceedings has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. Management assessed that the likelihood that any liability arising from such legal actions is remote, hence, no provision for liability has been recognized in the financial statements.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Purchase Price Allocation in Business Combination. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Parent Company's acquisition during the previous year has resulted in goodwill.

On October 15, 2014, the Parent Company acquired the 100% of the total outstanding shares of LLC. The Parent Company recognized goodwill from the business combination amounting to ₱740.4 million (see Note 13).

Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated through the specific identification method. Through this method, the Group evaluates the information available that certain debtors are unable to meet their financial obligations. In this case, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with the debtor and the debtor's current credit status based on third party credit reports and known market factors, to record specific reserves for debtors against amounts due to reduce receivable amounts to expected collection. This specific reserve is re-evaluated and adjusted as additional information received affects the amounts estimated. The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates.

Provisions for doubtful accounts recognized in 2016 and 2015 amounted to ₱1.5 million and ₱0.9 million respectively. The carrying amounts of receivables as at September 30, 2016 and June 30, 2016 amounted ₱ 686.6 million and ₱659.4 million, respectively (see Note 8).

Allowance for Inventory Obsolescence. The Group provides allowance for inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories identified to be obsolete and unusable are written-off and charged as expense for the period.

No provision for inventory obsolescence was recognized in 2016, 2016 and 2014. Reversal of inventory obsolescence. The carrying amounts of inventories as at September 30, 2016 and June 30, 2016 amounted to ₱82.1 million and ₱154.7 million respectively (see Note 9).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its costs or other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group generally treats a decline of 20% or more of the original cost of investments as 'significant', and a period greater than six months as 'prolonged'. In addition, the Group evaluates other factors including normal volatility in share prices for quoted securities and the future cash flows and discounted factors for unquoted securities.

If assumptions are made regarding the duration and extent to which the fair value is less than cost, the Group would suffer an additional loss representing the write down of cost to its fair value.

No provision for impairment of AFS financial assets was recognized in 2016, 2015 and 2014. The carrying amounts of AFS financial assets as at September 30, 2016 and June 30, 2016 amounted to ₱104.0 million (see Note 14).

NRV of Real Estate held for Sale and Development. The Group provides allowance for decline in value of real estate inventories whenever NRV of inventories becomes lower than cost due to damage, physical deterioration, change in price levels or other causes. Estimates of NRV are based on the most realizable evidence available at the time the estimates are made, of the amount the inventories are expected to realize.

The carrying amounts of inventories as of September 30, 2016 and June 30, 2016 amounted to ₱82.1 million and ₱154.7 million, respectively (see Note 9).

Fair Value of Land under Property Plant and Equipment and Investment Property. The Group's land is stated at revalued amount, which is the fair value at the date of revaluation and reflects market conditions at the balance sheet date. The fair value of the land was determined by real estate valuation experts based on the current prices in an active market for similar property in the same location and condition and subject to similar lease and other contracts.

The significant methods and assumptions used by the appraiser in estimating fair values of land are discussed in Notes 15 and 16. The fair values of land under property plant and equipment as at September 30, 2016 and June 30, 2016 amounted to ₱716.6 million. The fair value of land under Investment property as at September 30, 2016 and June 30, 2016 amounted to ₱1,357.4 million.

Estimated Useful Lives of Property, Plant and Equipment. The Group estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets

There were no changes in the estimated useful lives of property, plant and equipment in September, 2016 and June 30, 2016. The carrying values of property, plant and equipment carried at cost as at September 30, 2016 and June 30, 2016 2014 amounted to ₱491.9 million and ₱429.1 million, respectively (see Note 15).

Impairment of Nonfinancial Assets, including Goodwill. The Group assesses whether there are any indicators of impairment for all nonfinancial assets at every reporting date. Nonfinancial assets with indefinite life such as goodwill are tested for impairment annually and at other times when impairment indicators exist. Other nonfinancial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

If any such indication exists or in case of nonfinancial assets with indefinite life, the recoverable amount of the asset is estimated. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Recoverable amount is estimated for an individual asset or, if it is not possible, for the CGU to which the asset belongs.

There were no provision for impairment losses recognized in 2016, 2015 and 2014.

There were no provision for impairment losses recognized in 2016, 2015 and 2014. The fair values of land under property plant and equipment as at September 30, 2016 and June 30, 2016 amounted P716.6 million. The carrying amounts of property, plant and equipment carried at cost as at September 30, 2016 and June 30, 2016 amounted to ₱491.9 million and ₱429.1 million, respectively (see Note 15). The carrying amounts of other noncurrent assets as at September 30, 2016 and June 30, 2016 amounted to ₱204.0 million and ₱199.0 million, respectively (see Note 17). Goodwill recognized as of September 30, 2016 and June 30, 2016 amounted to ₱702.1 million. (see Note 13)

Deferred Income Tax Assets. The Group reviews the carrying amount at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and

are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

The Parent Company's deferred income tax assets arising from temporary differences as at June 30, 2016 amounted to ₱31.6 million (see Note 27). Unrecognized deferred taxes arising from temporary differences of the Subsidiary amounted to ₱114.7 million as at June 30, 2016.

Retirement Asset. The determination of the obligation and cost for retirement is dependent on the selection of certain assumptions determined by management and used by actuaries in calculating such amounts. These include discount rate, turnover rate, mortality rate, salary increase rate and future retirement benefits increase. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligation.

6. Segment Information

The Group's operating businesses are organized and managed according to the nature of the products and services marketed, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has operations only in the Philippines. The Group derives revenues from two main segments as follows:

Sugar and by products

This segment pertains to production of sugar (raw and refined) and sugar by-products such as molasses, alcohol and carbon dioxide.

Real Estate

This segment pertains to developing, leasing and selling real properties and other ancillary services.

	Sugar and by products	Real Estate	Eliminations	Total
Revenues	101,032.17	9,395.12		110,427.29
Cost of goods sold and services	175,371.60	5,787.28		181,158.88
Gross income	<u>-74,339.43</u>	<u>3,607.84</u>	<u>.00</u>	<u>-70,731.59</u>
Operating expenses	22,963.92	4,996.14		27,960.06
Other income (expenses)				
Interest expense	-30,940.60	-15,786.80	15,504.77	-31,222.63
Interest income	15,511.52	32.93	-15,504.77	39.68
Other income - net	13,601.40	31.69		13,633.10
Segment income before income tax	-99,131.02	-17,110.49	.00	-116,241.50
Segment assets	6,138,190.93	836,710.46	-800,002.52	6,174,898.86
Segment liabilities	3,299,124.99	1,662,467.22	-1,551,916.17	3,409,676.04

Inter-segment income and advances are eliminated upon consolidation and reflected in the eliminations column.

7. Cash and Cash Equivalent

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Cash on hand	792.11	792.11
Cash in banks	55,509.45	88,004.13
Cash equivalents	5,165.33	5,152.53
	61,466.89	93,948.77

Cash in banks earn interest at the respective bank deposit rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱.03 million as of September 30, 2016, ₱1.23 million as June 30, 2016

8. Receivables

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Trade - net of allowance for doubtful accounts:		
Non-affiliates	157,047.40	153,871.68
Affiliates	.00	.00
	157,047.40	153,871.68
Nontrade:		
Due from related parties	435,181.44	413,735.93
Planters' receivables	5,946.71	5,074.11
Advances to:		
Directors, officers and employees	11,093.69	11,020.75
Tarlac Development Corporation (TDC)	30,300.64	30,300.64
Jose Cojuangco and Sons Inc. (JCSI)	14,600.76	14,600.76
CAT Realty Corporation (CRC)	15,422.54	15,422.54
Luisita Golf and Country Club, Inc. (LGCC)	12,906.96	12,906.96
Others	13,070.87	11,450.41
	538,523.61	514,512.09
Less allowance for doubtful accounts - nontrade	8,954.49	8,954.49
	529,569.12	505,557.60
	686,616.52	659,429.28

Trade receivables from non-affiliates are noninterest-bearing and are generally on 30 to 60 days' terms.

Planters' receivables are subject to interest at 12% per annum in 2016.

Receivables from officers and employees arise from cash advances to the Group's personnel. Receivables from contractors are advanced payments for services to be provided or goods to be delivered to the Group. These receivables are generally collected within one year.

Advances to TDC, JCSI, CRC and LGCCI pertain to advances made by the Group to its previous affiliates which are unsecured and non-interest bearing.

Others consist of receivables with various insignificant amounts.

Movements in the allowance for doubtful accounts as at September 30, 2016 and June 30, 2016 are summarized below:

	September 30, 2016		
	Trade	Non Trade	Total
Balance at beginning of year	4,189.05	4,765.44	8,954.49
Provisions during the year			.00
Reversals/write off			.00
Balance	4,189.05	4,765.44	8,954.49

	June 30, 2016		
	Trade	Non Trade	Total
Balance at beginning of year	3,908.21	3,728.34	7,636.54
Provisions during the year	444.88	1,037.10	1,481.99
Reversals/write off	-164.04		-164.04
Balance	4,189.05	4,765.44	8,954.49

9. Inventories

This account consists of:

	As of September 31, 2016	As of June 30, 2016
At cost:		
Alcohol	3,062.44	77,034.66
Raw sugar	2,167.42	2,167.42
Molasses	23,304.88	23,304.88
At NRV:		
Spare parts and supplies	53,579.60	52,248.18
	82,114.34	154,755.14

The cost of spare parts and supplies amounted to ₱53.6 million and ₱52.2 million as at September 30, 2016 and June 30, 2016, respectively. Allowance for inventory obsolescence amounted to ₱4.7 million and ₱7.2 million at September 30, 2016 and June 30, 2016 respectively.

10. Real Estate Held for Sale and Development

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Land held for development	981,080.54	981,080.54
Land available for sale	6,881.98	6,881.98
	987,962.52	987,962.51

Land held for development is a parcel of land which is still undeveloped.

Land available for sale includes parcels of land developed into a first class residential subdivision and an industrial community. There are no additions and sale since the date of acquisition of Subsidiary.

11. Other Current Assets

	As of September 31, 2016	As of June 30, 2016	This account includes :
Advances to suppliers	60,963.64	92,200.44	
CWT	21,720.52	17,746.02	
Prepaid tax	2,795.22	2,857.18	
Prepaid insurance	1,201.24	2,122.69	
Input tax	284.60	127.52	
Others	271.03	1,949.86	
	87,236.25	117,003.71	

Advances to suppliers include payments made to suppliers for goods to be received in the future.

CWTs are the tax withheld by the withholding agents from payments to the Group which can be applied against the income tax payable without prescription.

Prepaid tax, prepaid insurance and prepaid rent will be charged to expense in the next financial year.

Input VAT represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities without prescription.

Others include individual insignificant amounts.

12. Business Combination

On October 15, 2014 and November 24, 2016, the Parent Company acquired 100% of the total outstanding shares of LLC for ₱135.0 million and AI for ₱65.6 million respectively. The MOA for LLC acquisition includes the Parent Company assuming LLC's liabilities to the seller group amounting to ₱1,115.2 million resulting in total consideration of ₱1,250.3 million.

The Parent Company acquired LLC for its real estate processes and to complement its land holdings. The purpose of acquiring AI is to ensure and increase cane supply milled by the Parent Company.

The fair values of the identifiable assets and liabilities of LLC & AI as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash	22,856.28
Receivables	23,964.60
Real estate held for sale and development	987,238.51
Assets classified as held for sale	95,500.00
Property and equipment	17,430.30
Other current assets	18,416.47
Other noncurrent assets	11,568.48
	1,176,974.65
Liabilities:	
Trade and other payables	35,457.28
Advances from related parties	505,034.40
Customer's deposits	7,771.13
Retirement liability	1,411.79
Deferred tax liability	79,186.03
	628,860.62
Total identifiable net assets at fair value	548,114.03
Consideration transferred	1,250,260.28
Fair value of identifiable net assets	-548,114.03
Goodwill	702,146.25

The accounting for this business combination was determined provisionally as the Parent Company is still finalizing the fair valuation of assets acquired including the real estate held for sale and development and goodwill. This will be finalized in 2016 as allowed by PFRS.

LLC's real estate held for sale and development is adjusted to its fair value at acquisition date. Deferred tax liability is recognized for the future taxable income attributable to the increase in the fair value of the real estate.

13. Available-for-Sale Financial Assets

The details of AFS financial assets are as follows:

	As of September 31, 2016	As of June 30, 2016
Proprietary shares	103,280.00	103,280.00
Investment in shares of stock:		
Listed	624.90	624.90
Unlisted	162.00	162.00
	104,066.90	104,066.90

The movements in this account are as follows:

	As of September 31, 2016	As of June 30, 2016
At beginning of year	104,066.90	103,517.56
Change in fair value of AFS investments	.00	549.34
	104,066.90	104,066.90

The fair value of the listed shares of stocks and proprietary shares are determined with reference to published price quotations in an active market. Common stock not listed in the stock exchange have no other reliable sources of their fair market values, therefore, they are stated at cost. Management intends to dispose the AFS financial assets, both listed and unlisted and proprietary shares, when the need arises.

The Group's proprietary shares of stock with carrying value of ₱100.1 million as at September 30, 2016 and June 30, 2016 are used as collateral for the Group's loans.

There were no sale or purchase transactions on the Group's AFS financial assets as at September 30, 2016

14. Property, Plant and Equipment

Movements in this account are summarized below:

At Cost

	June 30, 2016	Additions	Disposals/ Write-offs/ Reclassifications	September 30, 2016
Cost:				
Machinery and equipment	1,414,362,751	2,313,589		1,416,676,340
Buildings and improvements	132,697,530	1,611,626		134,309,156
Furniture, fixtures and equipment	40,224,925	1,586,747		41,811,672
Land improvements	82,780,571	-		82,780,571
Transportation equipment	25,502,822	5,700		25,508,522
Communication and utility systems	7,557,483	84,236		7,641,719
Roads and bridges	12,350,552	-		12,350,552
Agricultural machinery and equipment	49,383,726	-		49,383,726
	1,764,860,360	5,601,898	-	1,770,462,258
Less accumulated depreciation and amortization:				
Machinery and equipment	1,140,448,852	16,434,470		1,156,883,322
Buildings and improvements	103,541,911	1,365,922		104,907,833
Furniture, fixtures and equipment	30,424,706	1,146,256		31,570,962
Land improvements	40,281,495	354,349		40,635,844
Transportation equipment	5,923,848	533,944		6,457,792
Communication and utility systems	6,916,724	55,192		6,971,916
Roads and bridges	12,350,536	-		12,350,536
Agricultural machinery and equipment	5,358,593	2,308,944		7,667,537
	1,345,246,665	22,199,077	-	1,367,445,742
Construction in-progress	9,529,543	79,406,997	-	88,936,540
	429,143,238	62,809,818	-	491,953,056

	June 30, 2015	Additions	Disposals/ Write-offs/ Reclassifications	June 30, 2016
Cost:				
Machinery and equipment	1,357,493,193	47,212,191	9,657,367	1,414,362,751
Buildings and improvements	128,856,616	3,379,771	461,143	132,697,530
Furniture, fixtures and equipment	35,561,999	4,788,926	(126,000)	40,224,925
Land improvements	48,672,134	34,108,437		82,780,571
Transportation equipment	21,948,613	1,049,822	2,504,387	25,502,822
Communication and utility systems	7,155,624	401,859	-	7,557,483
Roads and bridges	12,350,552		-	12,350,552
Agricultural machinery and equipment	39,109,200	10,274,526	-	49,383,726
	1,651,147,931	101,215,532	12,496,897	1,764,860,360
Less accumulated depreciation and amortization:				
Machinery and equipment	1,096,377,631	44,071,221	-	1,140,448,852
Buildings and improvements	100,461,817	3,080,094	-	103,541,911
Furniture, fixtures and equipment	27,439,659	3,111,047	(126,000)	30,424,706
Land improvements	38,657,174	1,624,321	-	40,281,495
Transportation equipment	4,951,000	972,848	-	5,923,848
Communication and utility systems	6,726,962	189,762	-	6,916,724
Roads and bridges	12,350,536		-	12,350,536
Agricultural machinery and equipment	2,791,875	2,566,718	-	5,358,593
	1,289,756,654	55,616,011	(126,000)	1,345,246,665
Construction in-progress	12,707,263	9,529,543	(12,707,263)	9,529,543
	374,098,540	55,129,064	(84,366)	429,143,238

Land at Revalued Amount

The fair value of land as at September 30, 2016 and June 30, 2016 amounted to P716.6 million. The fair value, categorized as Level 3, is based on valuations determined by an independent appraiser, accredited by the SEC, as of June 30, 2016. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council. The current use of the land is its highest and best use.

The fair value of the land is determined using the market data (direct sales comparison) approach. Under this approach, a property's fair value is estimated based on comparing prices paid for comparable properties sold in the market against the subjected property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisal. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparable. These adjusted values are then reconciled for a value conclusion by the sales comparison approach.

On September 18, 2014, the Company sold parcels of land, with total land area of 164.0 square meters, to a related party with a total consideration of ₱65.6 million. The carrying value of the land sold amounted to ₱65.6 million with related revaluation increment net of tax of P45.4 million.

Movements in this account are summarized below:

	As of September 30, 2016	As of June 30, 2016
At beginning of year	716,600.00	685,700.00
Reclassification to investment property		
Sale of land		
Revaluation Increment		30,900.00
	716,600.00	716,600.00

The new management, following its strategic direction to improve factory efficiency and productivity, has released the previously earmarked land for expansion. As a result, such land area is no longer required for cane milling and sugar refinery operations. Therefore, it was deemed necessary to reclassify the said property to be held for capital appreciation to make it available for future use that has yet to be determined. The Parent Company reclassified land with a revalued amount of ₱1,357.4 million from Property Plant and Equipment to Investment Property due to the change in the use of the property as approved by the BOD.

The fair value as of June 30, 2015, which is the date of change in use, amounted to ₱1,357.4 million. This will be the cost of investment property as of June 30, 2015.

Movements in the revaluation increment, net of tax, recognized directly in equity are as follows:

	As of September 30, 2016	As of June 30, 2016
At beginning of year	1,845,883.29	1,814,983.29
Revaluation increment		30,900.00
Sale of land		
	1,845,883.29	1,845,883.29

Deferred tax liability on revaluation increment as of June 30, 2016 amounted to ₱212.3 million. Due to change in management's use of the asset, from "owner-occupied to "capital appreciation", which resulted to reclassification of land from *Property Plant and Equipment* to *Investment Property*, revaluation increment in 2016 amounted to ₱30.9 million.

Real properties included under *Property Plant and Equipment* and *Investment Property* with aggregate carrying value of ₱2,074.0 million as at June 30, 2016 are used as collateral to secure the Company's notes payable.

15. Investment Property

As discussed in Note 15 to the financial statements, the new management, following its strategic direction to improve factory efficiency and productivity, has released the previously earmarked land for expansion. As a result, such land area is no longer required for cane milling and sugar refinery operations. Therefore, it was deemed necessary to reclassify the said property to be held for capital appreciation to make it available for future use that has yet to be determined. The Parent Company reclassified land with a revalued amount of ₱1,357.4 million from *Property Plant and Equipment* to *Investment Property* due to the change in the use of the property as approved by the BOD.

The fair value as of June 30, 2015, which is the date of change in use, amounted to ₱1,357.4 million. This will be the cost of investment property as of June 30, 2015. There are no fair value changes on the land classified as *Investment Property* as at June 30, 2016

The fair value, categorized as Level 3, is based on valuations determined by an independent appraiser, accredited by the SEC, as of June 30, 2015. The valuation models used by the appraiser are in accordance with that recommended by the International Valuation Standards Council. The current use of the land is its highest and best use.

The fair value of the land is determined using the market data (direct sales comparison) approach. Under this approach, a property's fair value is estimated based on comparing prices paid for comparable properties sold in the market against the subjected property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisal. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparables, resulting in adjusted sales values for each of the comparables. These adjusted values are then reconciled for a value conclusion by the sales comparison approach.

16. Other Noncurrent Assets

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Advances for land maintenance	189,542.16	182,520.08
Deferred charges	9,621.17	11,681.88
Recoverable deposits	4,782.49	4,782.49
Other investments	20.00	20.00
	203,965.82	199,004.45

Advances for land maintenance refers to advance costs for future land preparation, planting and harvesting to augment the cane supply in alignment with management strategy

Deferred charges are accumulated charges incurred for Las Haciendas de Luisitas (LHDL) such as security, repairs and maintenance, and power among others. Annual Dues collected from homeowners and collections from use of LHDL facilities is credited to this account.

Recoverable deposits are advances to contractors and suppliers for items incidental to their service such as electric meters for electricity providers.

18. Trade and Other Payables

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Trade payables	162,204.37	156,723.13
Accruals:		
Freight and transportation	43,591.61	42,289.45
Interest and penalties	26,062.86	26,115.02
Spare parts, supplies and inventory cost	34,058.36	31,100.72
Taxes	12,734.43	12,354.03
Repairs and maintenance	43,214.73	39,983.58
Professional fees	5,406.50	5,245.00
Salaries, wages and other benefits	1,711.39	1,660.27
Management fees and bonus	.00	
Others	16,645.36	16,148.14
Advances from related parties	.00	3,817.20
Advances from:		
Hacienda Luisita, Inc. (HLI)	.00	
J.C. Enterprises, Inc. (JCE)	53,867.78	53,867.78
Estimated liability for cash surrender value	2,527.35	2,527.35
Customers' advances	2,249.73	2,692.73
Other payables	24,051.53	19,325.67
	428,325.99	413,850.06

Trade payables are noninterest-bearing and generally settled or have a 30 days term. As at September 30, 2016, all trade payables are current and expected to be paid within one year period.

Accruals are settled throughout the financial year.

Terms and conditions of due to related parties are discussed in Note 26.

Customers' advances represent payments received in advance by the Group for the delivery of denatured alcohol in the next fiscal year.

Other payables consist of various immaterial account balances.

19. Deposits

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Customers' deposits	3,963.60	3,983.60
Construction deposits	2,512.61	2,612.62
	6,476.22	6,596.21

Customers' deposits consists of advances for water meter deposits from locators, tenants and homeowners and advances made by the lot owners in transferring the titles to them to be liquidated once the transaction has been made.

Construction deposits pertain to advances made by the contractor for the construction of facilities in LIP and houses in LHDL.

20. Notes Payable

This account consists of:

	As of September 31, 2016	As of June 30, 2016
Long-term notes		
Local banks	2,058,000.00	2,079,000.00
Less deferred financing cost	13,314.43	21,797.93
	2,044,685.57	2,057,202.07
Less current portion	14,546.04	14,694.47
	2,030,139.53	2,042,507.60
Short-term notes		
Local banks	430,000.00	350,000.00
Promissory notes	28,431.70	27,589.82
	458,431.70	377,589.82

Notes payable to local banks

On October 15, 2014, the Parent Company obtained a long-term interest-bearing loan from a local bank amounting to ₱2,100 million. Net proceeds from the loan amounted to ₱2,068.0 million and transaction costs incurred amounted to ₱32.0 million which will be amortized throughout the term of the loan using the effective interest rate method. The principal of the loan will be repaid in five equal annual installments amounting to ₱21.0 million starting on July 15, 2016 until July 15, 2019 and the remaining balance to be paid on October 14, 2019. The loan is equally divided into two series amounting to ₱1,050.0 million each for purposes of interest computation. Series A will incur an interest of 5.25% per annum or PDST-R1 on the interest selling date plus a spread of 137 basis points, whichever is higher. Series B will incur an interest of 4.0% per annum or the prevailing BSP Overnight Repurchase Rate on the interest selling date plus a spread of 25 basis points, whichever is higher.

On May 18, 2016, the Parent Company obtained a short-term interest-bearing loan from a local bank amounting to ₱100.0 million and will mature on January 27, 2017. The loan will incur an interest to be paid monthly at 4.25% per annum for the first 31 days and will be repriced based on the prevailing market interest rate every 30 to 180 days thereafter as agreed by the parties.

On May 24, 2016, the Parent Company obtained a short-term interest-bearing loan from a local bank amounting to ₱100.0 million and will mature on November 18, 2016. The loan will incur an interest to be paid monthly at 4.25% per annum for the first 31 days and will be repriced based on the prevailing market interest rate every 30 to 180 days thereafter as agreed by the parties.

On July 13, 2016, the Parent Company obtained a short-term interest-bearing loan from a local bank amounting to ₱80.0 million and will mature on January 9, 2017. The loan will incur an interest to be paid monthly at 4.25% per annum for the first 31 days and will be repriced based on the prevailing market interest rate every 30 to 180 days thereafter as agreed by the parties.

On September 18, 2016, the Parent Company obtained a short-term interest-bearing loan from a local bank amounting to ₱100.0 million and will mature on January 27, 2017. The loan will incur an interest to be paid monthly at 4.25% per annum for the first 31 days and will be repriced based on the prevailing market interest rate every 30 to 180 days thereafter as agreed by the parties.

On October 28, 2016, the Parent Company obtained a short-term interest-bearing loan from a local bank amounting to ₱50.0 million and will mature on January 27, 2017. The loan will incur an interest to be paid monthly at 4.25% per annum for the first 31 days and will be repriced based on the prevailing market interest rate every 30 to 180 days thereafter as agreed by the parties.

Scheduled maturities of Parent Company's bank loans are as follows:

Fiscal Year	Amount
2016	371,000.00
2017	21,000.00
2018	21,000.00
2019	2,016,000.00
	2,429,000.00

Notes facility agreements provide certain restrictions and requirements principally with respect to maintenance of required financial ratios and material changes in membership and control.

The Group's capital management policies ensure that the Group is able to meet financial covenants attached to interest-bearing loans and borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

Other notes payable also includes the Subsidiary's outstanding promissory notes amounting to ₱48.2 million as of September 30, 2016. The notes are for a period of one year with a fixed interest rate of 4%.

21. Costs of Goods Sold

This account consists of:

	Three Months ended September 30, 2016		
	2016	2015	2014
Salaries, wages bonuses and other benefits	13,747,858	10,943,392	30,366,431
Repairs & Maintenance	38,602,431	36,252,287	46,422,251
Inventory cost, spare parts and supplies	73,743,461	51,668,811	43,354,005
Depreciation and amortization	19,242,655	13,889,913	11,470,992
Freight and transportation	608,528	418,951	915,492
Security and outside services	9,776,305	1,590,507	1,310,307
Power and steam	4,965,619	5,174,443	6,233,369
Taxes and licenses	1,077,676	477,174	2,025,843
Others	2,344,626	1,337,834	3,444,489
	164,109,160	123,077,214	147,653,475

22. Costs of Tolling Services

This account consists of:

	Three Months ended September 30, 2016		
	2016	2015	2014
Salaries, wages bonuses and other benefits	2,505,008	1,482,536	4,944,969
Repairs & Maintenance	6,398,903	5,918,806	7,599,140
Spare parts and supplies	29,280		26,140
Depreciation and amortization	1,067,663	862,256	781,612
Freight and transportation	117,005	116,271	511,134
Power and steam	660,658	470,415	835,217
Insurance	81,323	271,180	598,748
Taxes and licenses	393,147	573,713	817,516
Others	9,450	8,750	46,666
	11,262,436	9,703,928	16,161,143

23. Cost of Services

The cost of industrial services pertains to the services rendered by the Subsidiary. This account consists of:

	Three Months Ended September 30		
	2016	2015	2014
Salaries, wages bonuses and other benefits	1,083.70	330.50	.00
Repairs & Maintenance	423.76	594.08	.00
Materials	144.37	104.62	.00
Depreciation and amortization	502.12	591.63	.00
Security and outside services	860.22	647.27	.00
Freight & transportation	.16	.00	.00
Retirement	780.89	.00	.00
Power and steam	1,115.07	1,090.20	.00
Insurance	4.27	4.90	.00
Taxes and licenses	114.78	131.03	.00
Others	757.95	284.47	.00
	5,787.28	3,778.68	.00

24. Operating Expenses

This account consists of:

	Three Months Ended September 30		
	2016	2015	2014
Salaries, wages bonuses and other benefits	8,392.50	6,903.38	8,802.63
Repairs & Maintenance	2,293.75	731.73	692.65
Management fees and bonuses	140.00	.00	2,106.80
Taxes and licenses	1,098.37	2,284.33	68.42
Depreciation and amortization	948.77	628.43	608.70
Transportation and travel	1,762.14	1,156.77	5,258.34
Security and outside services	1,071.39	154.73	1,739.71
Rentals	695.19	1,010.50	2,140.45
Light and water	91.42	60.21	821.74
Retirement	417.17	.00	.00
Entertainment, amusement and recreation	971.24	440.67	959.05
Professional fees	7,154.35	4,978.55	3,671.87
Dues and advertisements	162.01	480.03	223.41
Postage, telephone and telegram	203.02	169.48	354.09
Others	2,558.74	319.10	1,439.36
	27,960.06	19,317.91	28,887.24

25. Retirement Asset

The Parent Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The Subsidiary however, provides for estimated retirement benefits required to be recognized under Republic Act (RA) No. 7641 to qualified employees. The benefits are based on years of service and compensation during the latest year of employment. The latest retirement valuation was made as at June 30, 2016.

The fund is administered by Luisita Trust Fund (LTF), a related party, under the supervision of LTF's Board of Trustees. The Board of Trustees defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes into account the plans' objectives, benefit obligations and risk capacity.

The defined benefit retirement plan meets the minimum retirement benefit specified under R. A. No. 7641, Retirement Pay Law.

26. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Terms and Conditions of Transaction with Related Parties

Outstanding balances of transactions with related parties at year-end are unsecured and settlements are made through offsetting. As at June 30, 2016, the Group has allowance for doubtful accounts relating to amounts covered by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions with Related Parties

The Group, in the normal course of business, has transactions with related parties.

27. Agreements

Milling Agreements

The Parent Company's milling agreements with various planters provide for a 67.0% and 33.0% sharing between the planters (including related parties) and the Parent Company, respectively, of sugar and molasses produced every crop year. As a consequence of the milling agreements and tolling contracts (for refined sugar) with planters and traders, the Parent Company holds the sugar stock of the planters and traders for safekeeping.

Lease Agreement

On December 1, 2014, the Parent Company transfers its main office and entered into an operating lease agreement with FLPC effective from December 1, 2014 to November 30, 2015 (see Note 26). The lease contract includes a clause for the extension of the lease term for an additional period of three years at the option of the lessee. The Parent Company paid advance rental and security deposit amounting to ₱0.85 million and ₱0.76 million respectively.

Labor Agreement

In November 2011, the Memorandum of Agreement between the Parent Company and union was finalized. The agreement covers a period of five years from July 1, 2011 up to June 30, 2016 and the significant issues and matters addressed by the both parties such as wage adjustments, hospitalization benefits, signing bonus and other provisions of the previous agreement which were not modified by or inconsistent with the addressed matters. The 2011-2016 CBA, however, became inoperative upon retirement of all employees in Tarlac, consisting of managers, supervisors, and rank and file, including all members of the bargaining unit, under the Parent Company's manpower reduction program which took effect in May 2016.

28. Capital Stock, Treasury Shares, and Earnings per Share

Capital Stock

The authorized capital stock of the Parent Company is 40.0 million shares as at September 30, 2016 and June 30, 2016, with par value of ₱10 per share. The Parent Company's shares of stock were listed in the PSE on April 12, 1977. There was no active trading on the Parent Company's outstanding shares in the PSE until the SEC issued an order on January 29, 2014 lifting the order of suspension made in 2010 in relation to the registration of and permit to sell the said securities.

The total number of shareholders is 409 as at September 30, 2016 and June 30, 2016.

Basic/diluted Earnings Per Share

The basic/diluted earnings per share for the years ended September 30, 2016 and June 30, 2016 are computed as follows:

	As of September 30, 2016	As of June 30, 2016
Net Income	-116,241.50	176,650.13
Weighted average number of shares		
Issued	28,254.60	28,254.60
Less treasury shares	.72	.72
	28,253.88	28,253.88
Basic/diluted earnings per share	-₱4.11	₱6.25

The Group has no dilutive potential ordinary shares; hence the diluted earnings per share are the same as the basic earnings per share.

There are 720 shares that are in the treasury amounting to ₱7,200 as of September 30, 2016 and June 30, 2016. There are no movements in the Group's treasury shares in 2016.

31. Fair Value Measurement and Financial Instruments

The following table provides the fair value measurement hierarchy of the Group's assets that are carried at fair value as of June 30, 2016:

	2016			Total
	Fair Value Measurement Using			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset Measured At Fair Value				
Property, plant and equipment				
Land			716,600.00	716,600.00
Investment Property			1,357,400.00	1,357,400.00
AFS Financial assets - quoted	104,066.90			104,066.90
	104,066.90	.00	2,074,000.00	2,178,066.90

The following are the relevant information and assumptions used in determining the fair value of land as of June 30, 2016:

- *Weighted average value per sq. m.* This pertains to the weighted average ask price of land per square meter based on the listing prices of comparable properties after the effect of adjustments relating to restrictions and the easement on the fair value measurement of the land.
- *Conditions on sale of comparable properties.* This pertains to the effect of restrictions or conditions that are present in contracts of sale relating to the comparable properties.
- *Physical adjustments.* These pertain to adjustments relating to the superiority or inferiority of the Company's land as regards location, shape, topography, size, zoning, amenities, and easement for access and utility lines

The table below summarizes the forgoing statements. It also presents the unobservable inputs used by management in assessing the fair value of land categorized as Level 3. Management believes that this information is beneficial in evaluating the fair value of the land.

Unobservable Inputs	Amounts or Percentage of Unobservable Inputs	Relationship of Unobservable Inputs to Fair value
Weighted average value per s.q.m.	P300 to P 2,253	The higher the value the higher the fair value
Conditions on sale of comparable properties	20%	The more onerous the conditions in contract of sale of comparable properties, the higher the fair value
Physical Adjustments	53%	The superiority of the quality of the Company's land, the higher the fair value

Fair value of all other assets and liabilities approximates their carrying values as of June 30, 2016 and are disclosed in their respective notes. Below are the descriptions of the Company's financial instruments that are carried in the financial statements as at June 30, 2016 and 2014.

Cash and Cash Equivalents, Receivables and Trade and Other Payables

Due to the short-term nature of these financial instruments, their fair values approximate the carrying amounts as of balance sheet date.

AFS Financial Assets

The fair value of the listed AFS financial assets are determined in reference to quoted market bid prices at the close of business on the balance sheet date since these are mostly actively traded in organized financial market. Unlisted common shares of stock are unquoted and there are no other reliable sources of their fair market values, therefore, they are stated at cost.

Notes Payable

The carrying value of notes payable with variable interest rates approximates their fair value because of semi-annual or quarterly resetting of interest rate based on market conditions. The fair values of notes payable with fixed interest rates based on Level 1 are determined using the discounted cash flow method. Discount rates used range from 5.0% to 10.5% as at June 30, 2016 and 2014. Because the nominal rates are almost similar to the discount rates used, the carrying values of fixed-rate notes payable approximate their fair values.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There have been no assets and liabilities transferred between Level 1, Level 2 and Level 3 during the period.

32. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments include cash, AFS financial assets, notes payable and due from/to related parties. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The BOD reviews and agrees on the policies for managing each of these risks and these are summarized below:

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at reasonable prices. The Group uses cash flow approach in managing its liquidity, in this way, funding requirements under normal economic condition are met.

The table below summarizes the maturity profile of the Group's financial liabilities as of September 30, 2016 and June 30, 2016 based on undiscounted payments:

	September 30, 2016			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable including interest	31,222,627	472,977,740	2,015,593,485	2,519,793,852
Trade including interest	32,998,683	129,205,685		162,204,369
Due to related parties		-		-
Advances from JCE		53,867,782		53,867,782
Accruals		183,425,239		183,425,239
Others		24,051,531		24,051,531
	64,221,310	863,527,978	2,015,593,485	2,943,342,773

	June 30, 2016			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Notes payable including interest	26,254,843	584,807,617	2,190,466,320	2,801,528,780
Trade including interest	31,883,585	124,839,540		156,723,125
Due to related parties		3,817,198		3,817,198
Advances from JCE		53,867,782		53,867,782
Accruals	36,242,173	252,396,539		288,638,712
Others	2,945,176	21,600,568		24,545,744
	97,325,777	1,041,329,244	2,190,466,320	3,329,121,341

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled gross or net using the following financial assets:

	September 30, 2016			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents*	60,674.78			60,674.78
Receivables:				
Trade	4,437.43	143,476.86		147,914.29
Receivable from real estate contracto	4,944.05			4,944.05
Planter's receivables		5,946.71		5,946.71
Due from related parties		435,181.44		435,181.44
Advances to:	11,093.69	81,536.33		92,630.02
AFS financial assets:				
Proprietary	103,280.00			103,280.00
Listed	775.56			775.56
Unlisted	162.00			162.00
	185,367.51	666,141.34	.00	851,508.85

*Excluding cash on hand

	June 30, 2016			
	Within 30 Days	Within 1 Year	Above 1 Year	Total
Cash and cash equivalents*	93,156.66			93,156.66
Receivables:				
Trade	26,624.26	106,330.32		132,954.58
Receivable from real estate contracto	16,728.04			16,728.04
Planter's receivables		5,074.11		5,074.11
Due from related parties		413,735.93		413,735.93
Advances	181.39	86,566.18		86,747.57
AFS financial assets:				
Proprietary	103,280.00			103,280.00
Listed	775.56			775.56
Unlisted	162.00			162.00
	240,907.91	611,706.53	.00	852,614.45

*Excluding cash on hand

Credit Risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Group imposes cash basis approach in its sales transaction to lower exposure to credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash in banks and cash equivalents, receivables, and AFS financial assets, exposure to credit risk arises

	As of September 30, 2016	As of June 30, 2016
Cash and cash equivalents*	60,674.78	93,156.66
Receivables:		
Trade	147,914.29	132,954.58
Receivable from real estate contracto	4,944.05	16,728.04
Non-trade		
Planter's receivables	5,946.71	5,074.11
Due from related parties	435,181.44	413,735.93
Advances	92,630.02	86,747.57
AFS financial assets:		
Proprietary	103,280.00	103,280.00
Listed	775.56	775.56
Unlisted	162.00	162.00
	851,508.85	852,614.45

*Excluding cash on hand

from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as stated below:

Since the Group trades only with recognized third parties, there is no requirement for collateral.

As at September 30, 2016 and June 30, 2016, the analysis of receivables is as follows:

	September 30, 2016					
	Total	Neither Past Due nor	Past Due but not Impaired			Impaired
			30 Days	90 Days	More than 150 Days	
Trade	152,103.35	147,914.29				4,189.05
Receivable from real estate contractors	4,944.05	4,944.05				
Planter's receivables	5,946.71		5,946.71			
Due from related parties	435,181.44				435,181.44	
Advances	97,395.46				92,630.02	4,765.44
	695,571.01	152,858.34	5,946.71	.00	527,811.46	8,954.49

	June 30, 2016					
	Total	Neither Past Due nor	Past Due but not Impaired			Impaired
			30 Days	90 Days	More than 150 Days	
Trade	141,332.69	137,143.64				4,189.05
Receivable from real estate c	16,728.04	16,728.04				
Planter's receivables	5,074.11		5,074.11			
Due from related parties	413,735.93				413,735.93	
Advances	91,513.01				86,747.57	4,765.44
	668,383.77	153,871.68	5,074.11	.00	500,483.50	8,954.49

As at September 30, 2016 and June 30, 2016, the credit analyses of the Group's financial assets are as follows:

	September 30, 2016		
	Grade		
	High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	60,674,779	-	60,674,779
Trade receivables	152,103,346	-	152,103,346
Others	13,070,867	-	13,070,867
AFS financial assets:			
Proprietary	103,280,000	-	103,280,000
Listed	624,900	-	624,900
Unlisted		162,000	162,000
	329,753,893	162,000	329,915,893

**Excluding cash on hand*

	June 30, 2016		
	Grade		
	High	Standard	Total
Loans and receivables:			
Cash and cash equivalents*	93,156,664	-	93,156,664
Trade receivables	153,871,675	-	153,871,675
Others	11,450,411	-	11,450,411
AFS financial assets:			
Proprietary	103,280,000	-	103,280,000
Listed	624,900	-	624,900
Unlisted		162,000	162,000
	362,383,650	162,000	362,545,650

**Excluding cash on hand*

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Company using high grade and standard grade as internal credit ratings.

High Grade. This pertains to counterparty who is not expected by the Company to default in settling its obligations, thus, credit risk exposure is minimal. This normally includes large prime financial institutions, companies, government agencies and individual buyers. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not assessed as high grade financial assets are included in this category.

Interest Rate Risk

Interest rate risk arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Capital Management

The Group's primary objective is to ensure that it maintains a strong credit rating and healthy capital ratios to sustain its business and maximize shareholder value. The Group manages its capital structure based on its business requirements and the economic environment. The Group monitors capital using a gearing ratio, which is total debt divided by total debt and equity. Total debt includes notes payable and trade and other payables. Equity includes capital stock, retained earnings, revaluation increment, unrealized cumulative gain on AFS financial assets and treasury stock.